The Equator Principles are allowing low income economies to lead the way in ESIA practice. The application of the Equator Principles in the mining sector of low income economies points the way forward to improving the effectiveness of Socio Economic Impact Assessment in high income economies, as defined by the Organisation for Economic Co-Operation and Development (OECD). The Equator Principles and the International Finance Corp (IFC) Performance Standards, on which the principles are based, have increased the attention given to social and economic issues within Environmental & Social Impact Assessment (ESIA) in the low income economies of the world.

Managing risk
The IFC Performance Standards were introduced to manage the environmental and social risks associated with project financing in low income economies, while high income economies, were considered to have sufficient legislation in place to manage the risks associated with investing in activities such as mineral extraction.

However, perversely this may not be the case. At a recent International Association for Impact Assessment (IAIA) conference a representative from a major financial institution, which is a significant provider of project financing to the mining and other sectors, opined that many significant infrastructure projects in the UK would have failed to secure funding from their institution because of inadequate stakeholder engagement processes and the poor treatment of impact mitigation and monitoring.

Research has demonstrated that in mining projects that were guided by the Equator Principles, the ESIA process had generally been more rigorously applied in low income economies, with respect to stakeholder engagement and impact mitigation and monitoring. It showed a greater emphasis towards a community focused development process, in order to try and maximise benefits, and minimise potential negative impacts, in those projects in which the Equator Principles were applied throughout the project development.

ESIA practice in high income economies could be improved by incorporating the integrated systems that have arisen from the Equator Principles to ensure stakeholder engagement and impact mitigation and monitoring are properly addressed in the ESIA process. Since they were implemented, the effectiveness of the Equator Principles, in both the original and current form has been intensively scrutinised by non-government organisations (NGOs) as well as other interest groups. Equator Principles Financial Institutions (EPFIs) hail the principles as a major shift in the banking industry, and praise the adoptees for taking a leading role in ensuring environmentally and social responsibility in the project financing sector.

The principles have generally been well received by NGOs as a step in the right direction for ESIA and promoting corporate social responsibility in the financial sector. While it is accepted there are certainly flaws in the Equator Principles there are two valuable reasons to support them:

1. The compliance covenants provide an example of a mandatory ESIA standard;
2. The Equator Principles represent a statement of intention to include ESIA in the project finance process
However, in the UK the lack of mandatory monitoring is undermining the effectiveness of the ESIA process, and studies have recommended that the requirement for an Environmental Action Plan should become a standard planning condition with the results of any monitoring made available to the public. It is interesting to note that both of these recommendations are Equator Principle requirements. Studies into the effectiveness of the ESIA process have concluded that the social dimension has been very much the “poor relation”.

Similarly, although consultation and public participation, as well as mitigation of environmental impacts, are encouraged at each step in the process, these have been identified as common weaknesses in practice in the high-income economies. Consultation with the public and statutory consultees process can help to ensure the quality, comprehensiveness and effectiveness of the ESIA process, as well as ensuring that the various groups’ views are adequately taken into consideration in the decision-making process. Despite the recognised benefits of public participation to the process, it is inconsistently applied in the systems of some high-income economies. There is also considerable scope for improving the implementation of mitigation measures and for impact and implementation monitoring.

In conclusion it is clear that the ‘social’ dimension of ESIA practice in high-income economies could be improved by taking on board some of the requirements of the Equator Principles which have improved the effectiveness of the process, particularly in the mining sector of low-income economies.

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